



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

June 6, 2006

LANCASTER, PA. COMPANY AND CHAIRMAN CHARGED WITH DEFRAUDING MILITARY

PHILADELPHIA – United States Attorney Pat Meehan and Edward Bradley, Special Agent-in-Charge of the Defense Criminal Investigative Services for the Northeast Field Office, today announced the filing of an indictment¹ against Herley Industries and Lee Blatt, a founder and chairman of the board of directors. The indictment charges that in 2000, 2001 and 2002, the defendants initiated and orchestrated a fraud scheme to price gouge the government of millions of dollars on contracts for electronic components: one sold to the Air Force, one to the Navy.

Herley Industries is a publicly traded company, whose corporate headquarters is in Lancaster, Pennsylvania. It designs microwave and electronic components for military and space applications.

According to the indictment, Blatt set grossly inflated prices for products sold to the military for which Herley Industries was the only supplier, and falsely represented or had other Herley employees falsely represent that the prices charged were based on true and accurate information about Herley Industries' costs and expenses, when they were not. He also took other steps, including creating a fake bid in the attempt to appear to justify what were, in fact, grossly inflated prices.

"As the indictment alleges, Blatt abused his position and used his company's advantage as a sole supplier to systematically gouge the U.S. military," said Meehan. "Not only did the Air Force and Navy deserve better but so did the taxpayers and the company's shareholders."

The indictment charges that Blatt took advantage of his position, putting in place and managing a scheme by which he reaped profits for his company that ranged between 200% and 300%. The products were a Voltage Controlled Oscillator, used by the Air Force in F-16 fighter jet radar systems to track objects in the sky and on land; and a power head that monitored power and prevented damage from power surges in certain systems on E2C aircraft based on Navy carriers. The total value of the government contracts was in excess of \$3.9 million.

¹An indictment is an accusation. A defendant is presumed innocent unless and until proven guilty.

“The Defense Department, and all its resources, needs to be focused on protecting the nation and providing support for our troops. We cannot afford to allow this type of fraud to drain those resources,” said Bradley. “The Defense Criminal Investigative Service is committed to investigating these types of frauds and supporting the criminal prosecution of those individuals and companies who seek illegal profits at the expense of the U.S. taxpayer and our soldiers.”

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INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE OR DATE OF BIRTH
LEE BLATT	VERO BEACH, FLORIDA	78
HERLEY INDUSTRIES	LANCASTER, PA	

If convicted, defendant Blatt faces a maximum possible sentence of 185 years in prison, 3 years supervised release, and \$3,600 in special assessments. In addition, each defendant faces a maximum possible fine of \$13,500,000, and the company faces \$14,000 in special assessments. Forfeiture of the more than \$2.8 million in payments received under these contracts may also be ordered, as well as full restitution to the government.

The case was investigated by the Defense Criminal Investigative Service and has been assigned to Assistant United States Attorney Pamela Foa.

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